

**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

<b>Illinois Commerce Commission</b>	:	
<b>On Its Own Motion</b>	:	
<b>-vs-</b>	:	
<b>Mt. Carmel Public Utility Company</b>	:	
	:	
	:	<b>08-0629</b>
<b>Reconciliation of revenues collected</b>	:	
<b>under gas adjustment charges with</b>	:	
<b>actual costs prudently incurred.</b>	:	

**ORDER**

By the Commission:

**I. INTRODUCTION AND PROCEDURAL HISTORY**

On November 13, 2008, the Illinois Commerce Commission ("Commission") entered an Order Commencing PGA Reconciliation Proceedings, which directed Mt. Carmel Public Utility Co. ("Mt. Carmel"), to present evidence at a public hearing in this docket showing the reconciliation of revenues collected under its Purchased Gas Adjustment tariff ("PGA") with the actual cost of gas supplies prudently incurred and recoverable under said PGA for the year ending December 31, 2008, (the "Reconciliation Period"). Notice of the filing of Mt. Carmel's testimony and schedules with the Commission was posted in its business offices and was published in newspapers having general circulation in its service territory, in the manner prescribed by 83 Ill. Adm. Code 255, in compliance with the Commission's Order.

Pursuant to proper legal notice, hearings were held in this matter before a duly authorized Administrative Law Judge of the Commission at its offices in Springfield, Illinois, on May 13, 2009 and September 30, 2009. Appearances were entered by counsel for Mt. Carmel and by the Office of the General Counsel for the Commission. At the conclusion of the latter hearing, the record was marked "Heard and Taken."

In accordance with Section 9-220 of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq., the Commission may authorize an increase or decrease in rates and charges based upon changes in the cost of purchased gas through the application of a PGA clause. Section 9-220(a) requires the Commission to initiate annual public hearings "to determine whether the clauses reflect actual costs of gas purchased to determine whether such purchases were prudent, and to reconcile any amounts collected with the actual cost of gas prudently purchased." In each such proceeding, the burden of proof shall be upon the utility to establish the prudence of its applicable costs. For gas purchases, the provisions of Section 9-220 are implemented in 83 Ill. Adm. Code 525, "Uniform Purchased Gas Adjustment Clause." Gas costs which are recoverable through a PGA clause are identified in 83 Ill. Adm. Code 525.40. Adjustments to gas costs through the Adjustment Factor are

addressed in 83 Ill. Adm. Code 525.50. The gas charge formula is contained in 83 Ill. Adm. Code 525.60. Annual reconciliation procedures are described in 83 Ill. Adm. Code 525.70.

Mr. Philip Barnhard, IV, President of Mt. Carmel, is responsible for supervising the calculation and filing with the Commission of Mt. Carmel's monthly and annual reconciliation required by Mt. Carmel's PGA tariff. Mr. Barnhard sponsored Direct Testimony in Mt. Carmel Exhibit 1.0, with Exhibits G-1 and G-2 to his Direct Testimony, which identify and reconcile Mt. Carmel's 2008 gas costs and recoveries. Exhibit G-1 consists of Mt. Carmel's PGA tariff. Exhibit G-2 shows the reconciliation of revenues and commodity and non-commodity gas costs, including Mt. Carmel's requested ordered reconciliation factor. Mr. Barnhard also expresses the opinion that Mt. Carmel's procurement of natural gas was prudent during 2008.

Mike Ostrander of the Accounting Department of the Financial Analysis Division submitted Direct Testimony in ICC Staff Exhibit 1.0 and testified that he reviewed Mt. Carmel's Reconciliation shown on Exhibit G-2 and the underlying documents which support the calculations. Mr. Ostrander recommended that various adjustments be made to correct errors in Mt. Carmel's proposed Commodity Gas Charge reconciliation schedule and Non-Commodity Gas Charge reconciliation schedule. With his adjustments, Mr. Ostrander recommends that a Commodity Gas Charge Factor O collection of \$116 and a Non-Commodity Gas Charge Factor O collection of \$1 be made through the gas charge in the first monthly PGA filing after the date of the order in this docket. Mt. Carmel accepts Mr. Ostrander's adjustments and recommendation as set forth in Mr. Barnhard's Rebuttal Testimony marked Mt. Carmel Exhibit 1.0R.

Brett Seagle of the Engineering Department of the Energy Division also testified in his Direct Testimony marked ICC Staff Exhibit 2.0 that he reviewed Mt. Carmel's filing and responses to numerous data requests concerning the prudence of its gas purchases during the Reconciliation Period. Using the Commission's criteria for determining prudence, Mr. Seagle found no reason to dispute Mt. Carmel's assertion that its gas supply purchases were prudently incurred during the reconciliation period.

Mr. Seagle also testified that it was his opinion that Mt. Carmel should conclude its RFP process which it started in 2009. Mr. Dan Long, in Rebuttal Testimony for Mt. Carmel, marked as MCPU Exhibit 2.0R, explained why the current supplier is least cost and also stated that Mt. Carmel will use the RFP process to determine the retail gas supplier which is the most prudent choice of those suppliers solicited.

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

## **II. FINDINGS AND ORDERINGS PARAGRAPHS**

The Commission, having given due consideration to the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) Mt. Carmel is a corporation engaged in the distribution of natural gas to the public in Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;
- (2) the Commission has jurisdiction over Respondent and of the subject matter of this proceeding;
- (3) the statements of fact set forth in the prefatory portion of this Order are supported by the evidence of record and are hereby adopted as findings of fact;
- (4) during the reconciliation period, there was no evidence to indicate that Respondent had not acted reasonably and prudently in its purchases of natural gas;
- (5) for the Reconciliation Period, the Commission accepts with Staff's adjustments Mt. Carmel's proposed reconciliation of revenues collected under its PGA tariff with the actual cost of gas supplies as reflected in Schedule 1.1 attached to Staff Exhibit 1.0.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the reconciliation for Mt. Carmel Public Utility Co. of the revenues collected under its PGA tariff with costs prudently incurred for the purchase of natural gas for calendar year 2008, set forth in the Appendix hereto, is hereby approved.

IT IS FURTHER ORDERED that Mt. Carmel collect the Commodity Gas Charge Factor O of \$116 and Non-Commodity Gas Charge Factor O of \$1 in its first monthly PGA filing following the date of this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 24th day of November, 2009.

(SIGNED) CHARLES E. BOX

Chairman